



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

March 10, 2009

Control Number: SBSE-05-0309-012
Expires: March 10, 2010
IRM Impacted: IRM 5.1.1

MEMORANDUM FOR DIRECTORS, COLLECTION AREA OFFICES

FROM: Laura Hostelley /s/ Laura Hostelley
Acting Director, Collection Policy

SUBJECT: Interim Guidance for the Determination of Accrued Interest for
a Payoff Amount Including Restricted Interest

The purpose of this memorandum is to issue interim guidance to emphasize procedures related to securing and providing a payoff amount when restricted interest is present on a module. The accuracy of interest computations, including restricted interest, has been identified by both the Service and GAO as an area in need of improvement. Adherence to these procedures will greatly assist the Service in improving the accuracy of our interest computations. Please ensure that this information is distributed to all affected employees within your organization.

We are adding new procedures in IRM 5.1.1, *Miscellaneous Guidelines*, which require employees to include accrued interest when computing payoff balances. IRM 5.1.1 has been revised and renamed "Guidelines for Working Collection Cases." It is in clearance at this time, and the revised version will be published soon.

A new IRM section IRM 5.1.1.9, *Balance Due Account Interest Computations* has been developed. These procedures are effective immediately.

- (1) It is important to **always** compute interest **accurately**, including complex or manually computed interest and restricted interest. When simple interest is present in a module, IDRS Command Codes (CC) such as COMPA and INTST accurately provide an accrued interest computation. When restricted interest is present in a module, these command codes will not perform the calculation, so you will need to secure a computation using the Commercial off the Shelf (COTS) software program called InterestNet.

Note: The InterestNet software program is housed in Centralized Case Processing (CCP) in the Field Office Resource Team (FORT). FORT personnel will provide any necessary restricted interest computation.

- (2) Calculate accrued interest for **all** payoff computations.
- (3) Take the following action when the taxpayer' module(s) contains restricted interest:
 - a) Prepare an e-mail message to the FORT to request the restricted interest calculation.
 - b) Type "Request for Restricted Interest Calculation" in the subject line of the message.
 - c) Include the following information in the body of the e-mail message:
 - o Taxpayer Name
 - o Taxpayer Identification Number (TIN)
 - o Tax Period
 - o Date of Payoff
 - o A copy of a current transcript (TXMOD) to provide additional information such as the "2% date" for Large Corporate Underpayments
 - d) Send the message to the FORT via **SECURE** e-mail at:
***SBSE CCS RESTINT**
- (4) Refer to the following IRM sections for additional information:
 - a) See IRM 5.19, *Balance Due*, regarding the inclusion of accrued interest when computing payoff balances.
 - b) See IRM 5.4.12.2.1.2, *General Case Processing Referrals*, regarding contacting the FORT to compute accrued interest when the taxpayer's module contains restricted interest.
 - c) See IRM 20.2.6.4, *Interest Computation Tools*, regarding InterestNet.

If you have any questions concerning this memorandum, please feel free to contact me, or Ken Marek, Program Manager, General Payment Processes and Analysis, or a member of your staff may contact Rosalie J. Calhoun, Lead Program Analyst.